

## **Chairman Gallagher's Opening Remarks**

**As prepared for delivery**

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When we talk about doing business in China, we use words like “private company” “law” “ownership” and “rights” as though they mean the same thing in the PRC as they do in America. The reality is these words have completely different meanings to the Chinese Communist Party.

There is no such thing as a “private company” in China.

A raft of legislation like the updated Counter Espionage Law, the Data Security Law, and the Anti-Foreign Sanctions Law has codified what was always true—Beijing reserves the right to swipe any data, seize any assets, and filch any IP it wishes. The government often mandates the creation of CCP cells inside firms and China’s Military-Civil Fusion policy means any private company can be effectively turned into an arm of the PLA or communist intelligence apparatus.

Many Americans believe they “own” Chinese stock in their retirement plans and pensions. But they don’t “own” anything. What they often hold instead are claims on VIE’s or Variable Interest Entities, that give none of the traditional control of corporate governance or claim on assets as real equity ownership. VIE’s are, at best, just side bets at a CCP-run casino.

As for the words “law” and “rights”, just look at the news. Corporate executives like Jack Ma and Bao Fan who run afoul of the Party disappear for unexplained reasons.

Beijing is choking off access to all types of economic and corporate data, making a farce of the obligations fiduciaries have to their clients. In just the last few months, three U.S. firms, Minsk, Bain, and Capvision have been raided, reportedly for engaging in routine due diligence and corporate research. Clearly, the CCP considers sunlight and accurate business information in the hands of foreign companies operating in the PRC to be threats to its continued rule.

Every foreign business that enters China takes on a sometimes silent, sometimes not-so-silent business partner: the Chinese Communist Party. The same Party that is committing genocide against the Uyghur people in Xinjiang, that has shattered international agreements around Hong Kong, attempted to erase the culture of Tibetans, militarized the South China Sea, and threatens to upset the fragile peace in the Taiwan Strait on a near daily basis.

It’s time for American corporate executives to take off the golden blindfolds and stare with clear eyes at the growing peril of doing business in China.